



Dated: February 18, 2020

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**The Manager
National Stock Exchange of India Ltd
Listing Department
Exchange Plaza, 5th Floor, Plot no C/1
G Block, Bandra Kurla Complex
Bandra (E), Mumbai-400 051**

Scrip Code: 540750

Symbol: IEX

Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended December 2019

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of earnings conference call held with analysts and investors on Monday, February 03, 2020, at 2:30 pm (IST) to discuss the financial results of the Company for the quarter ended December, 2019.

The above information is also available on the website of the Company: www.iexindia.com

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For **Indian Energy Exchange Limited**

**Vineet Harlalka
Company Secretary & Compliance Officer
Membership No. ACS-16264**



Encl: As above

www.iexindia.com

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“Indian Energy Exchange Limited Q3 FY2020 Earnings Conference Call”

February 03, 2020



ANALYST:

MR. ABHISHEK PURI - AXIS CAPITAL

MANAGEMENT:

MR. RAJIV SRIVASTAVA – MD & CEO

MR. VINEET HARLALKAR - CHIEF FINANCIAL OFFICER

MR. RAJESH MEDIRATTA- DIRECTOR STRATEGY & REGULATORY
AFFAIRS

MR. ROHIT BAJAJ- HEAD BUSINESS DEVELOPMENT

MS. SHRUTI BHATIA – HEAD CORPORATE COMMUNICATIONS

MR. SAMIR PRAKASH – HEAD HR & ADMINISTRATION

MR. GAUTAM SANGH - CHIEF TECHNOLOGY OFFICER

MS. APARNA GARG – LEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Indian Energy Exchange Q3 FY2020 Earnings Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the Conference Call, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Puri from Axis Capital. Thank you and over to you!

Abhishek Puri: Thank you Steven. Good afternoon ladies and gentlemen. On behalf of Axis Capital I am pleased to welcome you all for the Indian Energy Exchange Q3 and nine months FY 2020 earnings conference call. Today we have with us the top management team represented by Mr. Rajiv Srivastava - Managing Director and Chief Executive Officer and Mr. Vineet Harlalkar - Chief Financial Officer of the company. The call will be initiated by a brief management overview and discussion on the earnings performance followed by an interactive Q and A session. So over to you Rajiv!

Rajiv Srivastava: Thank you so much and good afternoon everyone. Let me welcome you to the earnings call for Q3 2020. I have with me Rajesh Mediratta who heads our Strategy Function and Regulatory Affairs, Vineet Harlalkar who is our CFO. Rohit Bajaj who heads Business Development. Shruti who heads Corporate Communication. We have also got Aparna who leads our Investor Relations and Sangh Gautam who is our CTO.

In my brief remarks, I will cover economic and industry updates, IEX business and financial performance and then open it up for interaction.

I would like to begin by reinforcing our unique proposition of “bringing 24×7 electricity to India in the most competitive, transparent, flexible and reliable way”. IEX is committed to the pursuit of transforming India’s energy landscape by fostering competition, improving availability and efficiency leveraging technology and markets as the key two dimensions. I am happy to share that IEX stayed on course in this pursuit in Q3 fiscal year 2020. The average Market Clearing Price discovered in Q3’20 at Rs 2.83 was 34% below the prices in the same period last year making the market increasingly competitive and attractive for buyers.

Energy sector is up for significant transformation. It has been estimated that per capita consumption of electricity will increase from the current 1,181 kwh to 1,616 kwh in the next 5 years. To support this growth an investment of Rs 11.75L crores in the power sector is envisaged by the government within the overall vision to boost infrastructure spending by Rs. 100L crores by 2025. This investment is projected to increase the power sector capacity to 619 GW from the current 365 GW to support demand increase. Distribution reforms laid out in the Union Budget 2020-21 to replace conventional energy meters by smart meters over the next three years will allow consumers to choose suppliers and bring in transparency, efficiency, operation discipline and fiscal discipline in the sector. Further amendments in the National Tariff Policy through the constitution of a high-

level Group of Ministers led by Home Minister will pave the way towards rationalization of power tariffs and will benefit the economy.

India's economic growth in Q3 FY 20 was subdued and the GDP growth for FY'20 is expected at 5%. The IIP continued to shrink in October and fell to -4% with some rebound in November at 1.8% YoY growth. The Core sector growth recovered to 1.3 per cent in December after remaining in the negative zone over past 4 months. High emphasis on revival of the economy with initiation of reforms and stimulus measures like taxation and other policy measures in various sectors will accelerate growth over time.

Quarter three for the fiscal year 2020 represented a mixed set of developments on the electricity front. Energy demand declined 6.2% YoY during the quarter due to the combined effects of sluggish industrial activity amidst an overall economic slowdown and shifting of weather patterns. India's electricity consumption registered a decline of 13% in October '19, the steepest fall in over 12 years. Electricity consumption continued to decline with November and December registering a 4% and 0.4% drop respectively. However, in December peak electricity demand showed 4.8% YoY growth leading to a 53% YoY growth in electricity volumes traded at IEX in December '19. This momentum has sustained into January 2020.

During the quarter, the total installed power capacity increased 6% YoY to reach 369 GW. In line with India's commitment to the Paris Agreement to increase share of green energy in the overall energy mix, Renewable capacity registered 16% YoY growth in December 2019 to 86 GW from 74 GW in December 2018

During the quarter, MoP finalized methodology for allocation of coal for sale of power in Short term market and Power Exchange. The proposed methodology will enable coal linkages to power plants not having PPAs thus leading to further reduction in sell prices on the exchange due to decline in inputs costs by these generators.

On a standalone basis, revenue for the quarter was down 9.8% YoY largely on account of decline in overall volumes and treasury income. PAT at Rs. 42.3 crores was almost flat as compared to Rs. 42.6 crores in Q3'19 — PAT margin at 61% was up from 56% a year ago reflecting strong discipline in operating expenses.

Starting Q3'20, we have started consolidating results of our wholly owned subsidiary Indian Gas Exchange. The overall consolidated revenue for the quarter was down 9.7% YoY to Rs 69.4 Cr in Q3 FY'20 as against Rs 76.9 Cr in Q3 FY'19. EBITDA decreased to Rs 56.7 Cr in Q3'20 from Rs 62 Cr in Q3'19 leading to an EBITDA margin of 82%. PAT at 41.7 crores was down 2.2% YoY with PAT margin at 60%.

The competitively discovered prices on our platform continued to be attractive to both the distribution utilities as well as the open access consumers. With prices remaining low during this fiscal year owing to ample liquidity on the sell side and increased electricity demand, volumes on IEX should continue to increase. Further, our pro-active efforts and collaborative work with our stakeholders and alliance partners, marketing and capacity building initiatives, will aid volume growth. IEX also continues to rigorously pursue technology led innovations, along with our approach to ensure best in class customer experience through robust practices and processes.

Let me stop here and open for questions.

Rajiv Srivastava: Yes, I can give you a more definitive answer for one of the three and that one is RTM. The Real Time Market product should begin trading from April 1 onwards. The regulatory body which is CERC along with POSOCO will go in for trial run of that product in the month of February and March so to be ready for launch on April 1. So that is a definitive one. The other two, you are familiar with the case that is going on the longer duration contract, final hearing for that case is on March 2nd and we hope to get a clearance by then so that we can get into the business immediately after that and the third one is Cross Border and we are in the final last leg of that to get the regulations out so even that should see the light of the day very soon. If you recall in my last call,

I had mentioned that by end of calendar Q1 this year which is fiscal Q4 we should be able to see through all of these and that is where it stands right now.

Mohit Kumar: Sir some clarification on longer term duration contract, you had mentioned in one of the calls that we were supposed to withdraw petition and that means the chapter would have been closed but now you are seeing the case is still ongoing?

Rajiv Srivastava: The petition withdrawal has to be from the Supreme Court. That hearing has now been fixed for March 2.

Mohit Kumar: Secondly, on gas, has something happened on the gas trading side, is there something which you can throw some light on?

Rajiv Srivastava: I cannot share with you the gas launch date as that is still under wrap.

Mohit Kumar: Broadly is there something incremental which has happened during the quarter?

Rajiv Srivastava: Yes. You would have seen that we have consolidated the Indian Gas Exchange financials for the quarter so obviously we are making some expenses, and some investments in technology and people, office space and some of the administrative things like setting up the company and all. So, we are readying ourselves up for the launch of gas as soon as we can.

Mohit Kumar: The last question Sir, how do we see the REC volume panning out in FY 2021 given the fact that the inventory is quite weak?

Rohit Bajaj: Due to inventory constraints the volume is down this time. In fact every quarter we are seeing lower numbers but good news here is we are expecting some new issuance in the upcoming months. Some of the state utilities have surpluses that can get issued. While REC volumes are down, our REC revenue is not so much down because our realization has increased by incentives which we used to give earlier and that we have withdrawn. So yes it will continue to be under pressure as far as volume is concerned but we are expecting a little bit improvement in the volume in coming few months.

Mohit Kumar: My question is are we expecting a decline in volume in FY 2021 over FY 2020 or do you think it will be flat YoY?

Rohit Bajaj: Going forward FY 2021 can be little better because with more renewable capacity with the state distribution company the issuance will increase, so one is the projects which are registered under REC mechanism, they are getting RECs and the other portion is state utilities which are meeting their RPO and doing surplus, they are also entitled to get this. So on the second front, we are expecting more issuance and we hope that inventory should improve going forward in FY 2021.

- Mohit Kumar:** Okay understood Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankush Agarwal from Stallion Asset. Please go ahead.
- Ankush Agarwal:** Thank you for taking my question. Just two questions, firstly, once the Real Time Market starts, how do you think the current product of intra-day market will exist and how would it be different from the real time market and secondly, I see we have more than 99% market share in day ahead market but if I see the term ahead market our share compared to PXIL is around 60%. So why is there such a difference in TAM market share and DAM market share?
- Rohit Bajaj:** Intraday today is done about 3 hours in advance. You should have minimum three hours window then only if you buy now, after three hours delivery will start. Real time is going to be closer to the real time. This will happen just one hour in advance and trading will be done for every 30 minutes, 15 minutes two-time block. Another big difference here is, a real time market will operate on the principle of collective transactions which is a double-sided closed auction. Now this is exactly same as what we are doing for our day ahead market. Intraday is more of a matching concept where you can place your best bid and then the matching is done with the multiple buyers and sellers.
- Now the second question is on the TAM side, our share is about 65% today. Here it is more of a one-to-one transaction and competition also exists and both the participants are trying their best.
- Rajiv Srivastava:** The way the day ahead market works is on closed auctions which involves all the players bidding in the system and TAM survives on one-to-one. Closed auctions and one to one matching differs in the way in which transactions come, the way the liquidity is available on the exchange and the way the prices are optimized, and that works best in the day ahead market and that is the reason why you will find that world over the DAM market is really the market usually every player is trying to get market share of.
- Ankush Agarwal:** Yes, so is it okay to assume that once the long-term contracts are in place the market share would be similar to that of TAM and not DAM?
- Rajiv Srivastava:** Tough one to answer because you will have to figure out what discovery mechanisms discover prices, what kind of sales outreach you will build and I can only tell you one thing, we are extremely conscious of that and making sure that our engine continues to improve and get more optimized, our sales outreach continuously become stronger all the time and so that is how we are going to play. We would love to believe that we will continue the way we are continuing.
- Ankush Agarwal:** All right I will get back in the queue if I have more questions.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

- Ravi Naredi:** Sir other income is down too much, any specific reason in this quarter?
- Vineet Hirlalkar:** There are two critical factors that impacted this quarter, one was that if you recall the previous year the first two quarters were not good for the treasury income and this year Q1 and Q2 were quite good and secondly there were some hardening of yields in December. So, these were some unseen factors which were not very significant if you look on the YTD basis.
- Ravi Naredi:** Okay and Sir how was the business in January 2020?
- Rajiv Srivastava:** On the treasury side or on the overall side?
- Ravi Naredi:** Electricity trading side.
- Rajiv Srivastava:** It has been very nice, like I said electricity trading in the month of January is almost north of 50% growth YoY basis.
- Ravi Naredi:** 50% growth, and how many exchanges allow electricity trading in India other than us?
- Rajiv Srivastava:** Look you can set up as many as you want but right now they are just two.
- Ravi Naredi:** Okay and MCX also planning to come in this?
- Rajiv Srivastava:** I have no idea may be you guys might be better informed
- Ravi Naredi:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri From Axis Capital Limited. Please go ahead.
- Abhishek Puri:** Thank you. I wanted to confirm one data point on the regulations which came in after the intraday norms were approved by CERC. When I am looking at one of the provisions it says that the allocation of transmission corridor between the power exchanges for real time transactions will be in the ratio of their shares in the DAM market. So that means that you will get the lion's share even in the intraday market?
- Rajesh Mediratta:** Yes, for real time market this is the provision and we will get lion's share transmission capacity.
- Abhishek Puri:** So we can expect the market shares similar to DAM in Intraday as well right?
- Rajiv Srivastava:** Exactly, RTM because the model of price discovery is also same so liquidity will play important role in RTM market and second is the transmission capacity allocation is in favor of those who already have share in their market.

- Abhishek Puri:** Right Okay. My second question is on the competition, PXIL has launched similar platforms, I still do not see any volumes going to them at this point of time, so any comments on that side?
- Rajiv Srivastava:** One thing is good that they have launched this, and you heard me talk about our views on competition in every single call over the last three quarters since I have been here. We really need more competition in our space because more competition allows companies to work to develop the market which is always going to be healthy for all of us here. So, I really want PXIL to ramp up and whoever else wants to should ramp up. To your point whether they are getting more volumes or not I think that really depends upon a couple of other things. One, on the fundamental design of the whole engine and mechanism of trading, two, the user experience that customers get out of us versus anybody else, three, the manner in which our teams are in touch with the customers across country, the familiarity in the way in which we enable trade and we do an end-to-end settlement so I think there is goodness to our end-to-end mechanism right now which is helping and the fact that PXIL is launching tells us one very good thing that they see the market from a very buoyant perspective just the way we believe it will be over the next couple of years. So, in that buoyant market more people coming in, is an absolutely great thing but like I said you must play to the fundamentals of exchange.
- Abhishek Puri:** Right. Thanks a lot Rajiv. Join back in the queue.
- Moderator:** Next question is from the line Dipan Mehta from Elixir Equities. Please go ahead.
- Dipan Mehta:** Sir I want to understand what exactly has gone wrong in this quarter because on one hand you said electricity consumption is down by 6% but then, we are down 9% in terms of volume and then in your press release you have said that there are some states which have got double digit growth, then somewhere you have said that the industrial customers have got a 64% increase, so what exactly went wrong for us to have such a dismal performance on the volume side?
- Rajiv Srivastava:** First of all, if you have been tracking the electricity market there is a very close relationship between drop and recovery both sides on IEX volumes, while the electricity market has not recovered in the month of December and is down about 0.4% points year-on-year but the electricity peak demand goes up 4.8% you see the exchange performing 53 points better but when the electricity market is down like 13 points in the month of October it was a significant drop year-on-year. In the month of October, a couple of things happened, one across two big types of customers that we have, we have agriculture and we have commercial and industrial customers. The industrial activity in October was very down, you see the IIP numbers for the month of October being extremely low and the core sector per se whether it is coal or fertilizers or refinery or electricity or steel everybody was down in the month of October significantly.
- So, the industrial activity was one part of the whole story. The other thing that happened in October was that we had a very serious change in the weather pattern. Climate activity in the month of October or monsoon activity in the month of October was very high and this year was a delayed

withdrawal of the monsoon. So, when we have delayed withdrawals of monsoon then the agriculture consumers do not buy enough electricity and hydro is very active then. So, both of our two most potential sectors segment, C&I as well as the agriculture customers had reduced dependence and reduced requirement of electricity. Now you are seeing the recovery bounce back much faster in the months of December and January and that is also because hydro is no longer an option right now because it has gone down and the industrial activity happens to be coming back on track. The IIP was positive in November and some other core sectors are becoming much positive in December and that is the reason you are seeing the electricity demand go up across specifically in the month of January, electricity has gone up by 2.5% points. So, there are some factors which are in the larger alignment with the economy, GDP and IIP and some factors which are again in the domain of climate change that is happening. Now, the way we are trying to buffer ourselves is on two fronts. One is clearly what is the exchange doing? One thing we are doing is we are spanning our offerings to more customers to make sure that whenever there is a demand, we are there to fulfill that demand. The fact that there is liquidity on the exchange allows for the prices to be lower. The government has announced two other things. One, all plants that are beyond the emission control norms will have to be phased out and shut down, so that will require more electricity to be provided to some other resources and that demand should get fulfilled on the exchange and the second thing is provisioning of Coal to Commercial Power Plants and you will find that the price on the exchange will continue to be competitive and attractive to open access consumers across the country. So, one activity is very clear: Go across to as many distribution companies and as many open access consumers through our sales efforts and convert those customers for buying on the exchange, that is one thing. The second thing which is our effort again is making sure that the new products that we are launching, like Cross Border or Real Time Market or Longer Duration Contract, those should also get launched but we are also tweaking new products and engaging with our distribution and open access customers to customize products from their requirement perspective. So, we are expanding our portfolio. Expansion of portfolio allows us to serve the same customers in a deeper way and allows us to find new customers. So those are the two things that we are doing. It is a longish thing, electricity per se is subject to a huge shift in vagaries and that is what has happened over the course of this last quarter. That is the reason I said fiscal Q3 or calendar Q4 was a tail of three different months for us.

- Dipan Mehta:** Okay. Sir one quick question, I think you already answered. The other expenses have come off for what reason?
- Vineet Harlalka:** It came down significantly because of two factors. First, there were lot of expenses that we were doing last year like 10 years celebration, so lot of one-time expenditure were there and as Rajiv has said because of the lower volumes we have also controlled our expenses.
- Rajiv Srivastava:** We had some large assignments last year which we have not repeated now because those were one-time assignments.

- Dipan Mehta:** Okay. All the best and thank you very much.
- Moderator:** Thank you. The next question is from the line of Sri Karthik from Investec. Please go ahead.
- Sri Karthik:** Few questions from my end. One is, what is the current proportion of the open access on your side, what is the market share of open access within that and what is the limiting factor that you see for this?
- Rajiv Srivastava:** The open access right now is 38% in our overall mix. It has gone up. If you see last year it was 22%, it has gone up to about 38% right now and open access is one which has grown significantly, it grew 64% points in Q3 versus the same period last year. Open access is a good story.
- The proposition that we have been taking very strongly to the government is open access which allows customers across industries which consume more than one megawatt of installed capacity to buy cheap power from the exchange. Now that is a great thing because it allows their input cost to reduce but a lot of states impose open access charges and some other subsidies on open access consumers and that deters them from buying that makes all value proposition of exchanges uncompetitive. The reason for an increase in open access despite all of the charges in Q3 was because the prices were very stable and low and as long as we continue to see such kind of prices on the exchange, you will find that the open access consumers will continue to find favor with the exchange. The good thing is that our engagement with the ministry and with other ministers of power and the regulatory bodies already suggest that we are focused on this problem, we are focused on making sure that industry becomes competitive and one of the factors in industry becoming competitive is reduction of open access cross subsidy so that the power becomes cheaper which again is going to be really helpful for the exchange.
- Sri Karthik:** In a way what you are suggesting is the conflict of interest from a SEB perspective to actually lose their most profitable customers is probably the limiting aspect even now?
- Rajiv Srivastava:** Yes. What you are saying is the way it is understood right now but let me give you a proposition. Assuming power is about 20% points of input cost to any product manufacturer. It is more in cases of some industries like metal industry, it is less in case of some other industries which are knowledge or service industries, but on an average, it is in the range of 15%. Now assuming the power cost can be reduced by 20% points at least through the exchange. Now in this manner about 4% points of their combination of input cost of power and consumption of power purchase can add about 4% points to the bottom line if you do the math's right. So that 4% points really adds 1% to the corporate taxes (assuming a 25% tax slab). Now that is like a wonderful proposition and is one of many different ways I think the country can to step up to find very solutions to the whole DISCOM distress problem and this in our opinion is one of the more brilliant solutions that the industry can get, in this game everybody gains. There is not a single loser because 4% points you add to the bottom-line and you use that for corporate tax and the gain on the four points on the bottom line is used for capacity expansion, for job creation, and every problem that we are going

through and trying to solve for today. So there are various means and ways we can solve today and that is the reason I said at one level your question is a very straightforward one but the solutions are unique and different and I think all of us need to step up and find those unique solutions

Dhruv Muchhal: Sir the 38% for open access mentioned this, this was 3Q or for nine months?

Rajiv Srivastava: Q3. For nine months it is 30.

Dhruv Muchhal: Just to understand longer duration contract which we will have, will be designed like the day ahead contract or term ahead contract?

Rohit Bajaj: Yes Dhruv, what happens in longer duration contract, you cannot have matching. In fact, if you see our weekly contract that we have today, there is open auction which happens. So, we are looking at it from every direction, in fact we are thinking of contracts which would be in similar lines to DEEP tender that is there today. We are also working towards creating standardized contracts which would be like our weekly contract. So, in none of the cases, it would be matching. It could be auction, it could be reverse auction, or it could be open auction, both may be done.

Dhruv Muchhal: Just two small quick questions. One is on the TAM market, we do not see any industrial consumers coming there and in the weekly markets given the prices are so low, you freeze a price for ten days at least, why are people buying in the day ahead market, why do not they come in the TAM market, is there some issue there?

Rohit Bajaj: Normally, if you see, TAM market prices are higher than day ahead market. So whether it is a weekly trade or it is a daily trade, normally the prices are on the higher side. Second is, we have seen some participation of open access consumers in the past. All those consumers who are availing 100% open access which means that they do not have an option to fall back on distribution companies, they are coming and participating in the TAM market. If the consumer is availing partial open access, which means that whenever there is increase in demand, he is eligible to buy from a distribution company, they are not participating here.

Dhruv Muchhala: Okay. Can you indicate how the prices are in the TAM market versus the DAM market say DAM is around Rs.3, what would be the TAM market?

Rohit Bajaj: There would be some premium. So, if you are going for weekly trade, people will take reference of day ahead market and then there would be some 10, 15, 20 paise premium over that in the weekly market. Similarly, in daily also again they would command some premium depending on the day of delivery whether it is weekly or weekend. Considering all those factors normally there is something else over the day ahead market.

Moderator: Thank you. The next question is from the line of Pavan Kumar from Ratnatraya Capital. Please go ahead.

- Pavan Kumar:** Sir, first of all on the volumes which we did a degrowth of around 9% this year but on a normalized level, what is the kind of volume growth or what is the kind of momentum we are expecting going forward in the next year and over the medium term?
- Rajiv Srivastava:** Q3 was a 9% drop on volumes and they picked up in December, they have picked up in January, so hopefully in these couple of months which are left for rest of the year we will continue to see a similar momentum as we are right now. We are going to calibrate our next year very soon and let me explain as to why I say this. There are many new contracts that we are trying to launch now which can have a very significant impact. So that is the new market that we are trying to create. We are in the process of assessing the sizing and our capability to how much of the market we can capture and that is the reason we are little cagey in trying to tell you right now about how the next year can look like. But those are new products which we are extremely enthusiastic and encouraged by, and it will open up new markets for us.
- Pavan Kumar:** This particular uncertainty is because of the new products that you are going to be launching?
- Rajiv Srivastava:** That is right because we are sizing it up and we are sizing it up across the country in every state and it is a fairly complicated exercise and so we are sizing up on business plan for next year and we will get back to you shortly.
- Pavan Kumar:** Okay and on last month volume and this month January volume pick up, what has changed since October – November and these two months and how sustainable is it?
- Rajiv Srivastava:** Like I said couple of things changed, clearly, one link to the climate like I said, the Hydro-generation has gone down very clearly. Second the fact that the liquidity on the exchange is better because coal allocation is better, the prices of coal has gone down, both domestic as well as imported. When the coal price has gone down which is the input price has gone down, the output electricity cost is lower and whenever the cost is lower on the exchange it is beneficial because then people can see the discovered price on the exchange being too low and all the open access as well as the DISCOMs can come and buy and DISCOMs can replace their more costly generating stations through the cheaper power on exchange and you are seeing all of this play out. The other thing which happened is that there is a pickup in activity in December and January. In January, we have seen some of the core sectors come back like fertilizer, refineries, steel, coal, all these four core IIP sectors have come back to a reasonable level of activity in the month of January. So, both, the climate which is helping us and the prices of coal and the liquidity, the prices being low on the exchange that allows people to buy more on the exchange and the demand going up. So, both of those are helping us here.
- Pavan Kumar:** Another thing, peak demand, how does peak demand affect you and how has it helped you in December?

- Rajiv Srivastava:** The peak demand is a demand at a point, and that demand happens to be the highest demand. Now, when peak demand happens then there is an imbalance between generation and demand, so there is an imbalance between what is being generated and in that location. The electricity market runs highly localized assuming there is demand which are high up anytime in Tamil Nadu and generation is not in Tamil Nadu they would buy from somewhere and exchange becomes more logical place. So the more the mismatch it is better you will find that the exchange fundamentals will play out and get highest benefit of those demands.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal Securities Limited. Please go ahead.
- Aniket Mittal:** Thank you for the opportunity. Sir, my question is with respect to the longer duration contract. Sir, if you could help us understand some of the contract specifications in terms of what sort of up-front margin would you be looking for and how will the payments cycle go?
- Rohit Bajaj:** As far as payment cycle goes, we are going to create a product where we are going to give comfort to both buyer as well as sellers. This is what exchange is known for. So, when you are doing long duration contracts through exchange, we would be absorbing counterparty risks which means that as a seller, you will get paid. So what we are doing in case of our weekly transactions where settlement is done on daily basis, similarly we are going to adopt for longer duration contracts where we will have some BGs and LCs in place which will take care of guarantees and then every day the power that is being traded will be settled. So, this is what we are thinking. To answer your second question about transaction margins that is still under consideration. We will be taking call in due course of time.
- Aniket Mittal:** Okay. Sir my second question is, believe you have got an approval for some new block bids which is the minimum quantity and the profile one, could you throw some light on that and how does that help us in the DAM market?
- Rohit Bajaj:** Yes. What happens is today we have a block bidding mechanism where either all is selected, or none is selected. So, it is complete selection or 100% rejection. So, what we are saying is now with the new bid type, if you want to buy a 50 MW and you place minimum bid quantity as 5 MW which means if minimum 5 is selected, it will be cleared. So this is what this first thing is all about.
- Second is considering the requirement of RE market and also conventional market where they want to bid for complete profile which means that let us take example of solar, right from 9 to 5, every hour generation would be different. So, you can create one block where the quantity in every time block would be different and then this would be considered as one block. At present it is not there and now the approval has come, we are going to introduce in week to ten days' time. This is going to help us increase the cleared volume. So certain quantity gets rejected today, that rejection quantity will come down.

Aniket Mittal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC. Please go ahead.

Dhruv Muchhal: Thank you. Sir, it is small quick one. The tax rate is 21% in this quarter, normally it should be 25%?

Vineet Harlalka: Overall it should be 25% because we fall under 22% category but because of our treasury income, so the rate becomes lower.

Dhruv Muchhal: Okay. So, the treasury includes marked to market on which you do not have to pay tax and that is why the current quarters tax is low?

Rajiv Srivastava: Because of marked to market we need to create a deferred tax liability or accordingly because of some longer-term products where we get tax benefits at the lower rate, so that is why the overall tax has come down.

Dhruv Muchhal: Okay. So normally it will be 25% of around?

Rajiv Srivastava: It will be in between 22% and 25%.

Dhruv Muchhal: Okay. Got it. Thanks.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, one clarification. This RTM market all the regulation is applicable from April 1, 2020, am I right?

Rajiv Srivastava: Yes.

Mohit Kumar: Second question is that Power Exchange India Limited has launched a platform, is it working right now or is it just in pilot mode?

Rajiv Srivastava: Power exchange is working right now.

Mohit Kumar: No about the RTM market.

Rajiv Srivastava: No, they have not launched RTM market. They have launched day ahead market. So new platform they have created which they launched about 10 days to 12 days back. It is replacement of earlier platform only.

Mohit Kumar: Okay. Understood. It is not the RTM market.

- Rajiv Srivastava:** We cannot launch RTE right now till April 1st.
- Mohit Kumar:** Sure. Okay understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Sri Karthik from Investec. Please go ahead.
- Sri Karthik:** Thanks again. I had my second question with regards to the DEEP versus IEX price parity, that seems to be narrowing over the last few quarters and you in fact generate some data with regards to how there is some gap and why it is beneficial for executing the contracts on IEX, apart from the usual counterparty benefits that we get, is there any other reason why participant would use IEX over DEEP?
- Rohit Bajaj:** See counterparty benefit is a huge benefit. So, if you are following DEEP market, you will find that the price varies with the states DISCOMs. Some DISCOMs in Southern region when they are going for bidding, price discovered is Rs. 5.20 paisa. For some other DISCOMs it is same, generators are willing to supply us at Rs. 3.60 paisa. So that difference is there because they are not confident that they would be able to recover money from exchequer or the past trend this payment is getting delayed for over a year also in certain cases. So, we feel that the value that we bring to the table, has many takers. In fact, we already have discussions with most of these distribution companies, we have shared our contracts with them, and people are waiting keenly for that.
- Sri Karthik:** So essentially your view is the counterparty risk is the primary reason why people use IEX?
- Rajiv Srivastava:** This is one of the major reasons. Yes.
- Sri Karthik:** Okay and purely from an infrastructure perspective that is the integration of the grids and the connectivity, is everything in place in the country currently for a wider open access utilization?
- Rohit Bajaj:** Yes. If you have seen with more transmission line coming in, we have got huge network today i.e more than 80 megawatts of inter-regional capacity is there, and congestion is virtually zero. So, 99.5% of the time, we have one nation, one grid, one price which means that wherever there is a customer, this power can be generated somewhere else and can be transported to that particular place. This infrastructure was not there three to four years back but in the last two to three years, we have seen that we are very comfortable as far as the transmission infrastructure is concerned and it is helping in taking the market forward.
- Sri Karthik:** Thanks Sir.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint we take the last question from the line of Govind Saboo from India Nivesh. Please go ahead.

- Govind Saboo:** Sir, just one data point regarding the breakup of the transaction charges and membership fees?
- Vineet Harlalka:** For Q3 or for the nine months?
- Govind Saboo:** Q3 and Q2 would be good.
- Vineet Harlalka:** So Q3 our total transaction fee from the segment wise or total transaction fee was 55.38 Crores in the Q3 and annual fee was 4.3 Crores. The total operating revenue is 59.68 Crores.
- Govind Saboo:** Okay and same number for Q2?
- Vineet Harlalka:** For Q2, the total transaction fee was 62.89 Crores and the annual fee was 4.5 Crores. So the total operating revenue is 67.44 Crores.
- Govind Saboo:** Sorry 64.89 Crores right?
- Vineet Harlalka:** 62.89 was the transaction fee, 55 Crores was annual fee and the total operating revenue was 67.44 Crores.
- Govind Saboo:** Okay. Thank you, Sir.
- Moderator:** Thank you. I now hand the conference over to the management for closing comments.
- Rajiv Srivastava:** Alright, thanks everyone. Thank you so much for participating and for your insightful questions. If there is anything that you all want to know more on these lines of what you discussed or anything else that you want to know about the company, please connect with Aparna and she will make sure you get the responses that you need or otherwise. As I said earlier, we are still on course to a forward path, the market continues to be extremely supportive right now and we see a very solid way forward. A good recovery happened in the month of December–January and all our efforts continue to be towards market expansion, new products and new customer acquisitions. I appreciate the time and thank you so much
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.